

# Development Opportunity

## *Mission Plaza*

International Student Housing  
City of San Pablo, California

A Public/Private Opportunity between:

- Redevelopment Agency
- Contra Costa College
- Tu Trust



Rev. November 2010



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Rev: 112010



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# EXECUTIVE SUMMARY

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Contra Costa College ("CCC") is located within the City of San Pablo and has an enrollment of approximately 150 international students (Total enrollment is 9,009). The lack of dedicated housing options within close proximity to the College, limits the recruitment of additional international students to the San Pablo campus.



CCC is committed to recruiting students for the proposed international student housing complex. Dr. Aleks Ilich, the district's Director of International Education, and his associates visit many foreign countries from which international students are recruited. Japan, Korea, China and Taiwan are just a few of the countries that have students attending CCC to pursue higher education in the United States. The added benefit of accommodations in a safe, dedicated international student facility will be extremely attractive to potential students and will undoubtedly increase its current international student population significantly.

The Redevelopment Agency of the City of San Pablo ("Agency") has acquired key parcels ideally

located within walking distance to the College. In addition to the site's proximity to CCC, public transportation is easily accessible as is access to Zip Car transportation centers. These acquisitions and surrounding existing services are ideal for student housing. The recently redeveloped College Center commercial center contains a national coffee shop, bank, Asian/Latino supermarket, library and other miscellaneous services to support an increased student population. The Agency predicts a positive effect on existing businesses and future development that will cater to an expected increase of both international and domestic student population.

The Agency Board, as well as the community, support the student housing concept and seek a developer to enter into a public/private joint venture. Entitlements to prepare the site are currently being processed.

### Facts at a Glance

- The Agency is currently undergoing entitlements to allow the project development goals.
- Close to Contra Costa College
- Project will allow up to 80 two-bedroom units.
- Public Transportation is easily accessible.
- San Pablo Supermarket specializes in Asian and Latino products and is located within a five minute walk.



## PROJECT PROPONENT'S SUMMARY

# Redevelopment Agency of the City of San Pablo

San Pablo is a progressive city on the move and its city leadership is receptive to working with community stakeholders to facilitate new construction, renovations, and other improvements. One of the tools the city has available to facilitate such activities is redevelopment.



**CITY OF SAN PABLO**

*City of New Directions*

Redevelopment is the planning, development, redesign, clearance, reconstruction, or rehabilitation of all or part of a survey area, and the provision of those residential, commercial, industrial, public, or other structures or spaces as may be appropriate or necessary in the interest of the general welfare.

Redevelopment of the proposed project site will assist the Agency in meeting its goals to alleviate remaining conditions of blight within the Legacy Redevelopment Project Area. The site is in a key location for the City and will be instrumental in continuing the revitalization of San Pablo Avenue.



## Contra Costa College

With its diverse student population and proximity to major universities, CCC is uniquely positioned to be an attractive choice for international students. Currently CCC has matriculation agreements with the University of California, Berkeley, UC Davis, CSU East Bay, Mills College, St. Mary's College and Holy Names College. These matriculation agreements allow students from CCC to transfer to these universities without having to repeat general education classes. CCC has a higher matriculation rate to the University of California at Berkeley, than any other community college. CCC offers a low-cost alternative to enrolling at a higher cost university for the first two years of a BA degree program, which is particularly important given the world economic crisis and the increases in the cost of education.

The presence of the proposed facility near the main campus will improve CCC's connection to the local community. Having an international student housing complex in the immediate vicinity will help to change the social and economic milieu of the surrounding area. Businesses that cater to these international students would be needed and this increase in economic activity would greatly benefit San Pablo as a whole.

# COMMUNITY COLLEGE TIMES

## Countries jostle for international students

BY CC TIMES, Published October 1, 2009

Ramped up recruitment efforts by countries such as the United Kingdom and Australia could begin to erode the United States' position as the top destination for international study, according to a new brief from the American Council on Education (ACE).

"The competition for international students is intensifying," said Madeleine Green, vice president for international initiatives at ACE. "The data reviewed in this paper draw a picture of a changing landscape and challenges that could threaten continued U.S. success as a magnet for international students."

Recruiting students from other countries hasn't been fully tapped. International students represent only 3 percent of the total U.S. enrollment, and 19 percent of all international students in the U.S. enroll in only 25 institutions. But the report notes that some colleges are reaching capacity in terms of serving students during the current economic climate, so boosting international enrollment is not on their radar. Many community colleges, which typically do not serve large populations of international students, are reaching capacity.

Countries, including the U.S., are also realizing the economic value of recruiting international students. Nearly 600,000 international students studied in the U.S. in 2006-07, and the U.S. Department of Commerce estimates that international education contributed \$15.5 billion to the U.S. economy during that academic year.

Last month, Bellevue College, a two-year college in Washington, received an achievement certificate from the U.S. Department of Commerce recognizing the \$19.9 million local economic impact of the college's international students. The economic impact represents a combination of tuition and direct personal expenditures from the college's international students in the 2007-08 academic year, when the college hosted 800 international students. Bellevue currently enrolls about 900 international students, from more than 80 countries.

The issue brief from ACE's Center for International Initiatives identifies several factors that could seriously affect the growth of international student enrollments in the U.S., including the global financial crisis, the increasing domestic higher education capacity of countries that currently send their students to the U.S.—which could result in fewer students studying abroad—and intensified recruiting by competing countries.

The study examines enrollment trends of internationally mobile postsecondary students in five top destinations: the U.S., United Kingdom, Germany, France





# Facts at a Glance

## Project Assumptions

The Agency estimates the cost of construction to be approximately \$17 million.

## Opening Date

Proposed opening Summer 2013.

## Site Location and Description

The proposed project site is located along a major and secondary commute corridors. The project site is comprised of four parcels fitted into an overall triangular shaped lot. The Site is approximately 68,847 square feet in size.

## Desired Project

- 81 2 BRs - 2 Ba
- 4 students per unit
- 10,000 - 15,000 SF commercial
- Student common area
- Green construction

## Site Ownership

The site is comprised of four parcels, three of which are owned fee simple by the Agency. The fourth parcel is owned by a private party who will participate in the project via an Owner Participation Agreement (OPA).





# Project Description

The project should consist of a freestanding mixed-use structure up to five (5) stories in height. The square footage would be comprised of approximately 80 units and up to 15,000 square feet of commercial retail space. \*

The units may range from 680 to 750 square feet in size and will contain two (2) bedroom suites with full bathrooms for each suite. The project parking requirement would be 0.50 spaces per residential unit and up to 60 spaces for the commercial area. See Parking Allowances on page 16.



## Project Uniqueness

As proposed, the project includes student housing units and a commercial retail component. The student residential units, though geared towards housing the existing and future international student population of CCC, will also be available to international students attending the various colleges and universities within the local vicinity. The commercial component proposes to include the existing Pizza Hut establishment (approximately 3,000 sf) and the 7/11 Convenience Store (approximately 7,000 sf) to the site and other complimentary uses.

\* The Agency will consider alternative design options. Image is for conceptual purposes only. Courtesy of Hayashida Architects.



# The Market Place

San Pablo has a population of 30,215 residents and is situated 14 miles north of Oakland and 19 miles northeast of San Francisco and 9 miles north of Berkeley. The San Francisco-San Jose-Oakland Market consists of Contra Costa, Alameda, Santa Clara, San Mateo and San Francisco counties.

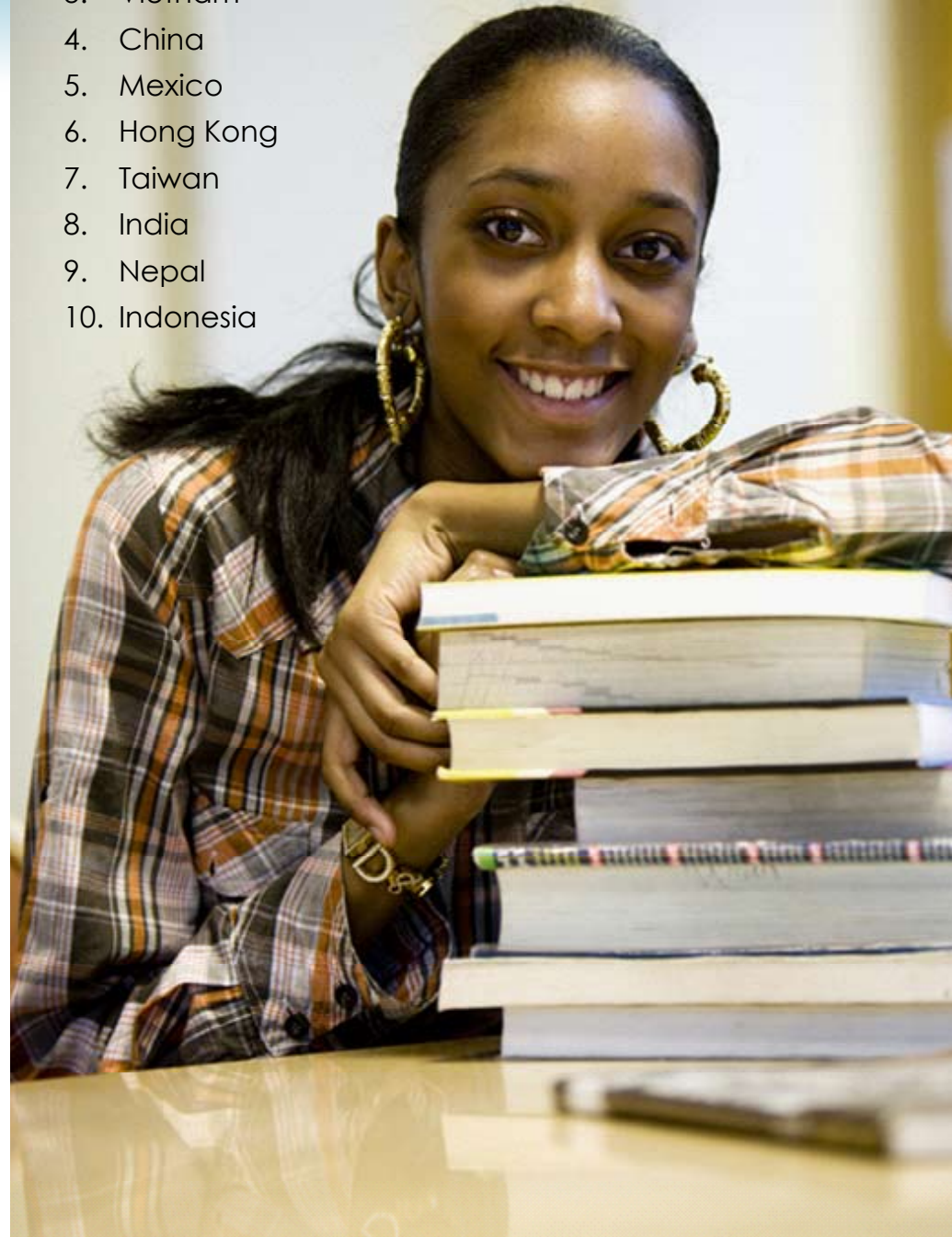
CCC has recently embarked on a concerted effort to increase and diversify its international student body. In the fall of the 2009, CCC reported 150 full-time international students from 22 countries; in addition, there are also a number of international students under other visa categories and they constitute additional potential residents of the proposed international student housing.

The publication Open Doors 2008 (the Institute for International Education's annual report on international programs in the United States) finds that 86,683 international students were enrolled at community colleges in 2007/08, a 3% increase over the previous year (the population had increased over 4% the previous year). Contra Costa College has experienced an 8% growth rate over the past two years exceeding the trend in community college attendance for international students throughout the United States. In addition, among the top-ten community colleges in numbers of international students, three are in California, supporting the contention that California remains the preferred study destination for these students.

Additionally, Open Doors lists the following as countries with the greatest number of students studying at community colleges: South Korea, Japan, Vietnam, China, Mexico, Hong Kong, Taiwan, India, Nepal, Indonesia.

## Countries of Origin

1. South Korea
2. Japan
3. Vietnam
4. China
5. Mexico
6. Hong Kong
7. Taiwan
8. India
9. Nepal
10. Indonesia







**CCC** has students from all of these countries and is currently focusing its direct marketing and recruitment efforts on most of these countries. It is assumed this will best insure access to the most potent sources of future students. As this marketing effort succeeds, the plan is to expand recruitment to other countries in the interest of diversity and growth. Significantly, CCC also has a number of students currently studying from a number of nations in Africa.

Open Doors further reports that Business/Management, Intensive English, Health Professions and Math and Computer Sciences are the most popular fields of study for international students in community colleges. These are majors that have strong reputations at CCC. There is a trend at CCC toward the health professions (nursing programs) and Intensive English. CCC is particularly well poised to exploit this area as it has a “No-TOEFL” admission policy wherein students do not need to have college level English language proficiency in order to be admitted. This is a function of CCC’s exemplary credit Intensive English Program. Indeed if any factor has contributed to the growth of international students at CCC over the past years it is this admission feature. This is optimistically seen as a continuing trend as students from such countries as

China and Vietnam typically need ESL preparation before beginning their academic program.

Furthermore, Open Doors found that the economic impact of international students for California was \$631,936,747 in 2007. In the report on the District International Education Program to the Contra Costa Community College District (“CCCCD”) Governing Board in December 2008, it was stated that the international students at the three (3) CCCCD colleges in Contra Costa County provided an estimated 32 million dollars to the local economies.

Finally, the Los Angeles Times reported in an April 7, 2009 article that there is a growing trend for community colleges to add dorms or targeted housing towards international students due to market and program demands. Some quotes from the article illuminate the nature of this trend:

“Experts say rising university tuitions are pushing more traditional college-age students into two-year schools, and community colleges are also aggressively recruiting athletes and international students, who often prefer and need on-campus housing.”

“...California would appear to be particularly fertile ground, with both California State University and the University of California’s shrinking freshman enrollment for the fall.”

The article further highlights Sierra College near Sacramento as drawing students from Japan and Canada due to its dormitory and convenient meal card program which is honored at local restaurants (a feature that may be considered for this project).

Therefore, the trend for more and more students attending Community college, the availability of desirable programs such as credit ESL, nursing and math/computer science and the benefits of nearby dedicated housing, along with CCC’s current increased emphasis on marketing and recruitment provide a positive backdrop for support for this project.





# Cost Pro Forma

PROFORMA SAN PABLO STUDENT HOUSING DEVELOPMENT (Development Envelope) DRAFT FINANCIAL PROFORMA (Development Costs)			
Site Size (in acres):	1.58		
<b>PROJECT COST</b>	<b>SF/UNITS/SP</b>	<b>PER SF/UNIT/SP</b>	<b>TOTAL</b>
<b>ACQUISITION COSTS</b>			
LAND ACQUISITION			
City Owned Land	36,787	\$0.00	\$0
Tu Owned Land	32,060	\$0.00	\$0
DEMOLITION	40,000	\$10.00	400,000
ABATEMENT (Lead Paint Asbestos)	20,000	\$8.00	160,000
CONTAMINATION	13,700	\$15.00	205,500
<b>TOTAL ACQUISITION COSTS</b>			<b>\$765,500</b>
<b>CONSTRUCTION:</b>			
OFFSITE/INFRASTRUCTURE/UTILITIES	68,847	\$2.50	\$172,118
SITE COSTS (including landscaping)	68,847	\$9.00	619,623
PUBLIC INFRASTRUCTURE COST	40.0	\$8,000	320,000
BUILDING COST	80.0	\$110,000	8,800,000
RETAIL BUILDING COST	10,000	\$125.00	1,250,000
FURNITURE FIXTURES & EQUIPMENT (Fixed Equipmer	80.0	\$1,200	96,000
TENANT IMPROVEMENT ALLOWANCE			
RETAIL BUILDING COST	10,000	\$30.00	300,000
GENERAL CONTRACTOR OH & PROFIT		\$8.00	560,000
<b>TOTAL CONSTRUCTION</b>	<b>70,000</b>		<b>\$12,117,741</b>
<b>TOTAL LAND &amp; CONSTRUCTION</b>			<b>\$12,883,241</b>
<b>SOFT COSTS:</b>			
	% of construction	\$ per Bldg. Sq. Ft.	Total
PROFESSIONAL/CONSULTANT FEES	4.0%	\$6.92	\$484,710
PUBLIC PERMITS & FEES	5.0%	\$8.66	605,887
TESTING & INSPECTIONS	Allowance		0
TAXES, INSURANCE, LEGAL & ACCOUNTING	3.5%	\$6.06	424,121
MARKETING	0.5%	\$0.61	60,589
LEASING COMMISSION	Allowance		0
DEVELOPER FEE (Administration & Overhead)	4.0%	\$6.92	484,710
CONTINGENCY	10.0%	\$17.31	1,211,774
<b>TOTAL SOFT COSTS</b>	<b>27.0%</b>		<b>\$3,271,790</b>
<b>FINANCING:</b>			
CONSTRUCTION FINANCING	5.3%	\$9.11	\$637,823
FINANCING FEES	2.7%	\$4.67	327,089
<b>TOTAL FINANCING</b>	<b>8.0%</b>		<b>\$964,912</b>
<b>DEVELOPMENT COST</b>		<b>\$245</b>	<b>\$17,119,943</b>

# Operating Pro Forma

## PROFORMA

### SAN PABLO STUDENT HOUSING DEVELOPMENT (Development Envelope) DRAFT FINANCIAL PROFORMA (Revenue Estimates)

#### **Commercial Rental Income**

Gross Annual Rental Income <sup>1</sup>	10,000 Sf	\$18.00 /Sf	180,000
(Less): Vacancy & Collection	5.0% of Gross Income		9,000
Gross Effective Income			\$171,000
Operating Expenses	8.0% of Gross Effective Income		(13,680)
Property Management	5.0% of Gross Effective Income		(8,550)
Reserves	2.0% of Gross Effective Income		(3,420)
Total Expenses			(25,650)
Net Operating Income			\$145,350
Return on Costs			7.5%
Total Commercial Revenue			\$1,938,000

#### **Residential Rental Income**

Gross Annual Rental Income <sup>2</sup>	71 Units	\$24,000 /unit/year	\$1,704,000
Gross Annual Rental Income <sup>3</sup>	9 Units	\$16,800 /unit/year	151,200
(Less): Vacancy & Collection		5.0% Gross Revenue	(92,760)
Property Management		35.0% Gross Revenue	(649,320)
Total Units:	80.0		
Net Operating Income			1,113,120
Return on Costs			6.5%

#### **Value of the Commercial Property**

17,124,923

Total Project Revenue	\$19,062,923
(Less) Development Costs	(17,119,943)

#### **Project Surplus/Feasibility Gap**

\$1,942,981

Per S.F. of Building	70,000 Sf	\$27.76
Per S.F. of Land	68,847 Sf	\$28.22

<sup>1</sup> Rent = \$1.50 per square foot per month

<sup>2</sup> Rent = \$500 per month

<sup>3</sup> Rent = \$700 per month





# Ten Year Cash Flow

CITY OF SAN PABLO STUDENT HOUSING PROJECT											TABLE
DRAFT PROJECT OPERATING PRO FORMA (NO LAND PURCHASE 10-YEAR ANALYSIS)											___
	0	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>OPERATING REVENUE:</b>											
Commercial Retail		\$180,000	185,400	190,962	196,691	202,592	208,669	214,929	221,377	228,019	234,859
Residential 1		1,704,000	1,755,120	1,807,774	1,862,007	1,917,867	1,975,403	2,034,665	2,095,705	2,158,576	2,223,334
Residential 2		151,200	155,736	160,408	165,220	170,177	175,282	180,541	185,957	191,536	197,282
Land Sales	-	-	-	-	-	-	-	-	-	-	-
Gross Revenue		\$2,035,200	2,096,256	2,159,144	2,223,918	2,290,636	2,359,355	2,430,135	2,503,039	2,578,130	2,655,474
Vacancy Rate	5.0%	(101,760)	(104,813)	(107,957)	(111,196)	(114,532)	(117,968)	(121,507)	(125,152)	(128,907)	(132,774)
Gross Effective Income		1,933,440	1,991,443	2,051,186	2,112,722	2,176,104	2,241,387	2,308,628	2,377,887	2,449,224	2,522,701
<b>PROJECT EXPENSES:</b>											
<u>Development Costs</u>											
Property Acquisition Cost	(\$765,500)	-	-	-	-	-	-	-	-	-	-
Cost of Construction	(\$16,354,443)	-	-	-	-	-	-	-	-	-	-
Agency Assistance	\$0	-	-	-	-	-	-	-	-	-	-
Total Development Costs	(\$17,119,943)	-	-	-	-	-	-	-	-	-	-
<u>Financing</u>											
Permanent Loan	\$10,271,966										
<u>Operating Expenses</u>											
Property Taxes		(171,199)	(174,623)	(178,116)	(181,678)	(185,312)	(189,018)	(192,798)	(196,654)	(200,587)	(204,599)
Insurance		(213,999)	(220,419)	(227,032)	(233,843)	(240,858)	(248,084)	(255,526)	(263,192)	(271,088)	(279,221)
Maintenance		(76,320)	(78,610)	(80,968)	(83,397)	(85,899)	(88,476)	(91,130)	(93,864)	(96,680)	(99,580)
Management		(96,672)	(99,572)	(102,559)	(105,636)	(108,805)	(112,069)	(115,431)	(118,894)	(122,461)	(126,135)
Lease Payment to Agency		0	0	0	0	0	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
Lease Payment to Tu		0	0	0	0	0	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
Reserve		(58,003)	(59,743)	(61,536)	(63,382)	(65,283)	(67,242)	(69,259)	(71,337)	(73,477)	(75,681)
Total Expenses		(616,194)	(632,968)	(650,211)	(667,936)	(686,157)	(1,004,889)	(1,024,145)	(1,043,941)	(1,064,293)	(1,085,216)
<b>NET OPERATING INCOME:</b>		1,317,246	1,358,475	1,400,976	1,444,786	1,489,947	1,236,498	1,284,483	1,333,946	1,384,931	1,437,485
<b>DEBT SERVICE:</b>											
Permanent Lender		(786,601)	(786,601)	(786,601)	(786,601)	(786,601)	(786,601)	(786,601)	(786,601)	(786,601)	(786,601)
Agency Loan		-	-	-	-	-	-	-	-	-	-
<b>CASH FLOW AFTER DEBT SERVICE:</b>		530,645	571,875	614,375	658,186	703,346	449,897	497,883	547,345	598,330	650,884
Capital Contribution (equity)	(\$6,847,977)	-	-	-	-	-	-	-	-	-	-
Reversionary Value		-	-	-	-	-	-	-	-	-	21,018,664
<b>NET CASH FLOW</b>	(\$6,847,977)	530,645	571,875	614,375	658,186	703,346	449,897	497,883	547,345	598,330	21,669,547
<b>INVESTMENTS HURDLES</b>											
Debt-Coverage-Ratio (DCR)		1.67	1.73	1.78	1.84	1.89	1.57	1.63	1.70	1.76	1.83
DCR Target		1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
NPV @ 15.0%	\$2,860,165										
Cash on Cash -Avg	39.20%	7.75%	8.35%	8.97%	9.61%	10.27%	6.57%	7.27%	7.99%	8.74%	316.44%
Cash on Cash without Reversion Assumption	8.50%	7.75%	8.35%	8.97%	9.61%	10.27%	6.57%	7.27%	7.99%	8.74%	9.50%
IRR:	17.50%										



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**HAYASHIDA ARCHITECTS**

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# Aerial Map

## Site

### Characteristics

- Triangular-shaped Lot
- 3 Facades
- Land assembly of 4 parcels totalling 69,347 SF
- Two property owners:
  - RDA
  - Tu Trust

The Site is in a key location for the City and will be instrumental in the continuation of the revitalization of San Pablo Avenue.



## Close up Aerial Map



- Commercial Structures have been Cleared.
- Site contains four active businesses including a 7-11 and Pizza Hut and large discount store.
- Agency will consider national tenants to return to project.

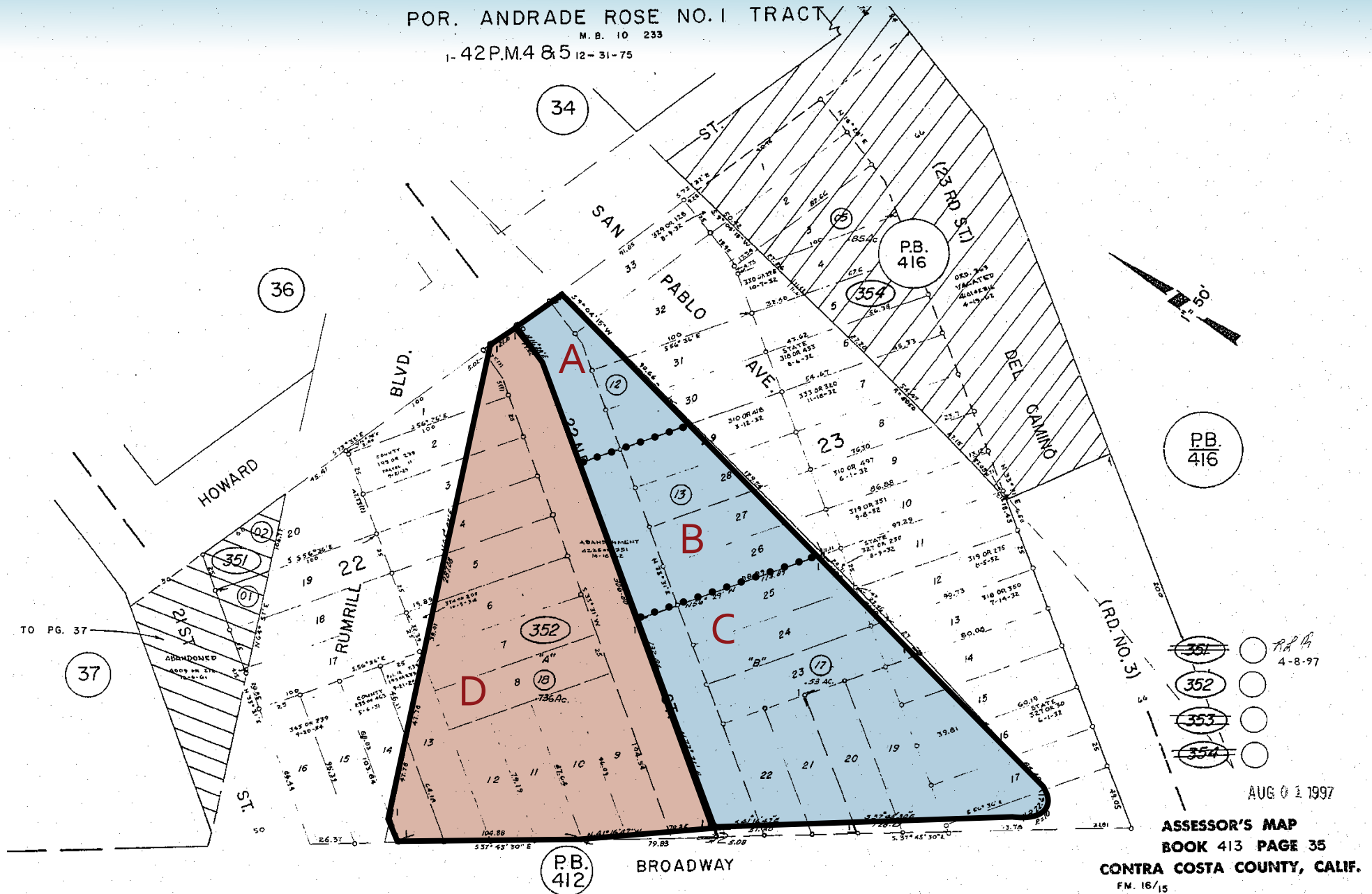


# Parcel Map

POR. ANDRADE ROSE NO.1 TRACT

M. B. 10 233

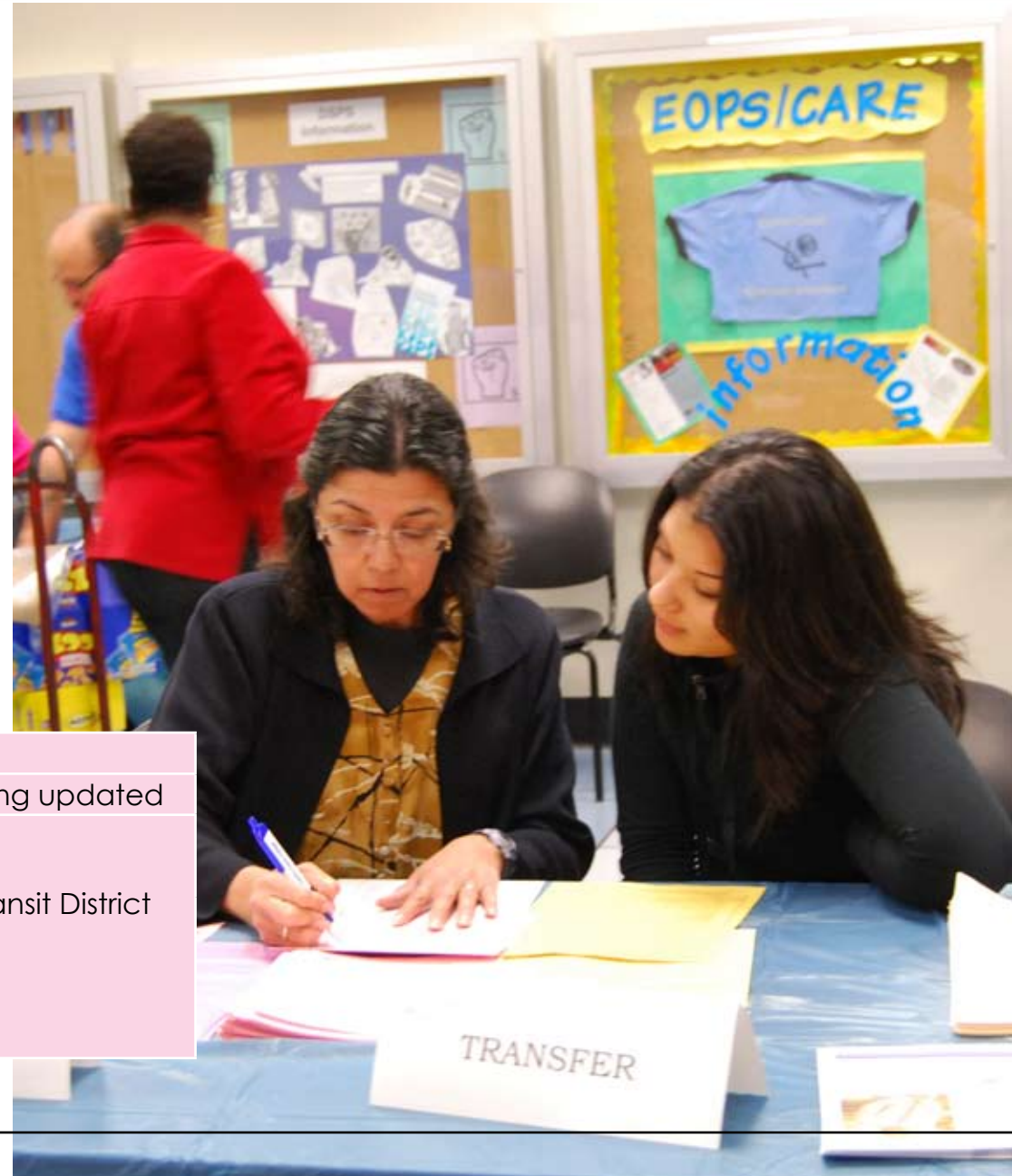
1-42P.M.4 & 5 12-31-75



# Zoning and Density allowances

## MISSION PLAZA PROPERTIES

	A.P.N.	Area (SF)	Area (Acres)
A	413-352-012	4,500	0.103
B	413-352-013	9,200	0.211
C	413-352-017	23,087	0.53
D	413-352-018	32,060	0.736
	Total	68,847 SF	1.58 acres



### Existing Zoning/General Plan

A	A.P.N.	Zoning	General Plan currently being updated
B	413-352-012	C-1	Mixed Use Special District
C	413-352-013	C-1	- El Portal Center/Public Transit District
C	413-352-017	C-1	
	413-352-018	C-1	
	C-1 (El Portal Transit District Overlay)		

# Parking allowances

Scenario 1: Floor Area Ratio-2.50 *	
Land Use Category	Commercial
Square Feet	15,000
Residential	81 units @ 1,000 sq. ft. = 81,000 + 10% Miscellaneous 89,100 sq. ft.
Parking Garage	Commercial: 1 parking space per 250 square feet (60 spaces) Residential: 2 parking spaces per unit (162 spaces) 66,600 (222 spaces at 300 sq. ft. per space)
Common Open Space	300 sq. ft. per unit = 24,300
Lot Area	68,847

Scenario 2: Floor Area Ratio-2.50*	
Land Use Category	Commercial
Square Feet	10,000
Residential	81 units @ 1,125 sq. ft. = 91,125 + 10% Miscellaneous 100,237.5 sq. ft.
Parking Garage	Commercial: 1 parking space per 250 square feet (40 spaces) Residential: 2 parking spaces per unit (162 spaces) 60,600 (202 spaces at 300 sq. ft. per space)
Common Open Space	300 sq. ft. per unit = 24,300
Lot Area	68,847

\* Commerical and Residential only



# Development Team

## Property Owners

Redevelopment Agency of the City of San Pablo  
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## Private Property Partner

Tu Trust - Tommy Tu - Property Owner

## Partners

Contra Costa College  
2600 Mission Bell Drive  
San Pablo, CA 94806  
510-235-7800

McKinley Williams - President

Aleks Ilich, Ed.D. - District Director International  
Education

